

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013**

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

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**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

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**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

OFFICIALS

Name	Title	Term Expires
Board of Education		
Gary Griebel	President	2013
Kevin Lundin	Vice President	2015
Paul Fahey	Board Member	2013
Janet Sieverding	Board Member	2015
Martha Montgomery-Henning	Board Member	2015
School Officials		
Mike Healy	Superintendent	2013
Penny Medinger	District Secretary/Treasurer	2013
Ahlers & Cooney, P.C.	Attorney	2013

O'CONNOR, BROOKS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. McCARTHY, CPA
E.A. SCHILLING, CPA
S.H. ROBERTS, CPA
J.L. WOOLF, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Bellevue Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bellevue Community School District, Bellevue, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Bellevue Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 48 through 50 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bellevue Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2012 and for the four years ended June 30, 2007 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2008 (which are not presented herein) were audited by other auditors whose report expressed unqualified opinions. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Bellevue Community School District's internal control over financial reporting and compliance.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
February 12, 2014

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bellevue Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- General Fund revenues decreased from \$6,544,204 in fiscal 2012 to \$6,224,622 in fiscal 2013, for a total decrease of \$319,582. Revenues from property tax decreased \$66,946, revenues from tuition (open enrollment, special education, preschool) increased \$6,677, other local revenues increased \$11,113; revenues from intermediate sources decreased \$13,357; revenues from state sources decreased \$217,236; while revenues from federal sources decreased \$39,833. The budgeted enrollment on which state aid and county property taxes are based decreased by 21.7 students.
- General Fund expenditures increased from \$6,097,796 in fiscal 2012 to \$6,494,514 in fiscal 2013, a total increase of \$396,718. Salaries and benefits increased \$102,894. Purchased services increased \$83,630 due to outsourcing our technology support and an increase in tuition paid for college credit classes. Supplies and equipment increased \$210,344 due to software and computer purchases.
- The District's General Fund balance decreased from \$1,808,224 in fiscal 2012 to \$1,555,332 in fiscal 2013, a 14% decrease from the prior year.
- The District's total tax levy rate for FY13 decreased by 64¢. The General Fund tax rate decreased by 82¢, some of it due to a decreased cash reserve levy and a decrease in enrollment. The Management levy remained stable. The PPEL levy was increased by 18¢ with a 3% income surtax.
- The state authorized a 2% increase in new monies for school districts in FY13, but with budgeted enrollment dropping (589.8 in FY11 to 568.1 in FY12) the Bellevue School District realized a 2.07% decrease in new monies with a budget guarantee of \$96,896.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this Section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide both short-term and long-term information about the District's overall financial status.
- The Fund Financial Statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements by providing information about the most significant funds. The governmental funds statements explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending. The proprietary fund statements offer short-term and long-term financial information about the activities the District operates like a business, such as food services. The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the financial statements with a comparison of the District's budget for the year. Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

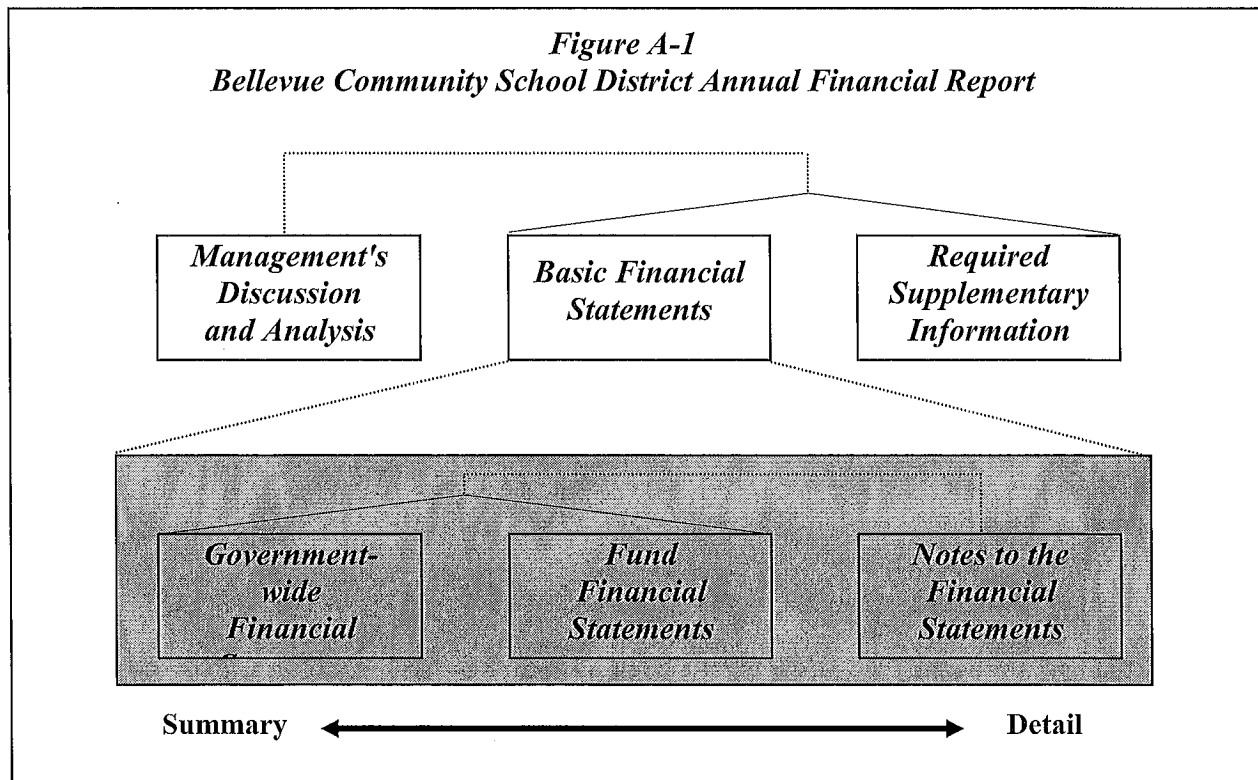


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as the Big East Conference
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information follows the governmental fund statements to explain the relationship or differences between the two statements.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency funds and Private-Purpose Trust funds.

Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts or Agencies and certain revenue collected for District employee purchases of pop and related expenditures. The District currently maintains agency funds for the Big East Conference and the Community Partnership for the Protection of Children.

Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Financial Analysis of the District as a Whole

Figure A-3 provides a summary of the District's net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-3							
	Condensed Statement of Net Position						Total Change June 30, 2012- 2013
	Governmental Activities June 30,		Business-type Activities June 30,		Total School District June 30,		
	2012	2013	2012	2013	2012	2013	
Current and other assets	\$ 6,450,733	\$ 6,709,442	\$ 33,798	\$ 38,471	\$ 6,484,531	\$ 6,747,913	4.1%
Capital assets	8,242,684	8,205,159	23,120	28,696	8,265,804	8,233,855	-0.4%
Total Assets	<u>\$ 14,693,417</u>	<u>\$ 14,914,601</u>	<u>\$ 56,918</u>	<u>\$ 67,167</u>	<u>\$ 14,750,335</u>	<u>\$ 14,981,768</u>	1.6%
Long-term liabilities	\$ 4,815,140	\$ 4,654,500	\$ 1,800	\$ 2,400	\$ 4,816,940	\$ 4,656,900	-3.3%
Other liabilities	3,318,453	3,639,056	10,050	10,233	3,328,503	3,649,289	9.6%
Total liabilities	<u>\$ 8,133,593</u>	<u>\$ 8,293,556</u>	<u>\$ 11,850</u>	<u>\$ 12,633</u>	<u>\$ 8,145,443</u>	<u>\$ 8,306,189</u>	2.0%
Net Position:							
Net investment in							
capital assets	\$ 3,525,544	\$ 3,690,159	\$ 23,120	\$ 28,696	\$ 3,548,664	\$ 3,718,855	4.8%
Restricted	1,298,495	1,514,597	-	-	1,298,495	1,514,597	16.6%
Unrestricted	<u>1,735,785</u>	<u>1,416,289</u>	<u>21,948</u>	<u>25,838</u>	<u>1,757,733</u>	<u>1,442,127</u>	-18.0%
Total Net Position	<u><u>\$ 6,559,824</u></u>	<u><u>\$ 6,621,045</u></u>	<u><u>\$ 45,068</u></u>	<u><u>\$ 54,534</u></u>	<u><u>\$ 6,604,892</u></u>	<u><u>\$ 6,675,579</u></u>	1.1%

The District's total net position increased by 1.1% to \$6,675,579. The major capital asset additions in 2012-2013 were a science equipment, elementary iPads, HS copier, outside bleachers, lawn tractor, air conditioning, building security (doors, locks), Court Street lot, and a new dishwasher for the elementary kitchen.

A long term liability of \$4,800,000 for a bond issue from the Local Option Sales Tax dollars was established for the multi-purpose room and commons area addition/remodel in FY10. The original 1:1 laptop initiative for juniors and seniors was funded by a 4-year lease/purchase arrangement with Apple in FY10, FY13 was the last year on that lease. In FY10 GASB 45 (Governmental Accounting Standards Board) required the District to implement an OPEB liability (Other Post Employment Benefits) for the implicit rate subsidy for retiree health insurance.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$216,102 from the prior year mainly due to the increase in balances in the special revenue funds.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The State of Iowa adopted GASB 54 during FY11 and changed the way fund balances (restricted vs. unrestricted) were defined.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2012-2013
	2012	2013	2012	2013	2012	2013	
Revenues:							
Program revenues:							
Charges for services	\$ 851,617	\$ 838,691	\$ 172,413	\$ 172,827	\$ 1,024,030	\$ 1,011,518	-1.2%
Operating grants and contributions	961,236	906,293	107,577	119,370	1,068,813	1,025,663	-4.0%
Capital grants and contributions	29,128	128,917	-	-	29,128	128,917	342.6%
General revenues:							
Property taxes and other taxes	3,208,636	3,064,665	-	-	3,208,636	3,064,665	-4.5%
Unrestricted state grants	2,569,670	2,368,299	-	-	2,569,670	2,368,299	-7.8%
Other	74,893	58,559	252	137	75,145	58,696	-21.9%
Total Revenues	\$ 7,695,180	\$ 7,365,424	\$ 280,242	\$ 292,334	\$ 7,975,422	\$ 7,657,758	-4.0%
Program Expenses:							
Instruction	\$ 4,258,319	\$ 4,566,599	\$ -	\$ -	\$ 4,258,319	\$ 4,566,599	7.2%
Support services	2,082,395	2,236,574	-	-	2,082,395	2,236,574	7.4%
Non-instructional programs	8,115	9,703	268,967	282,868	277,082	292,571	5.6%
Other expenses	675,071	491,327	-	-	675,071	491,327	-27.2%
Total Expenses	\$ 7,023,900	\$ 7,304,203	\$ 268,967	\$ 282,868	\$ 7,292,867	\$ 7,587,071	4.0%
Change in Net Position	\$ 671,280	\$ 61,221	\$ 11,275	\$ 9,466	\$ 682,555	\$ 70,687	-89.6%

As shown in figure A-4, net position increased by \$70,824 in 2012-2013. Property and other taxes and unrestricted state aid account for 75% of the total revenue in governmental activities. While charges for services and operating grants accounted for almost 100% of the revenue in the business type activities.

The District's expenses primarily relate to instruction and support services, which account for over 90% of the total expenses in the governmental funds.

Governmental Activities

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

	Total Cost		Percentage Change	Net Cost		Percentage Change
	of Services			of Services		
	2012	2013	2012-2013	2012	2013	2012-2013
Instruction	\$ 4,258,319	\$ 4,566,599	7.2 %	\$ 2,788,829	\$ 3,161,003	13.3%
Support services	2,082,395	2,236,574	7.4 %	1,960,886	2,128,633	8.6%
Non-instructional programs	8,115	9,703	19.6%	8,115	9,703	19.6%
Other expenses	675,071	491,327	(27.2)%	424,089	130,963	(69.1)%
Total	\$ 7,023,900	\$ 7,304,203	4.0 %	\$ 5,181,919	\$ 5,430,302	4.8%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$838,691.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,035,210.
- The net cost of governmental activities was financed with \$3,064,655 in various taxes, \$2,368,299 in state foundation aid and \$58,696 in miscellaneous income.

Business Type Activities

Revenues of the District's business type activities were \$292,334 and expenses were \$282,868. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Bellevue Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,693,289.

Governmental Fund Highlights

- In the District's General Fund, revenues decreased and expenditures increased resulting in a \$252,892 or 14% decrease in fund balance. The tax rate between the two years for the general fund decreased by \$0.82 per thousand.
- The Activity Fund ending balance increased from the prior year by \$87.
- The Management Fund balance increased from \$107,293 to \$141,288.
- The PPEL Fund balance increased from \$321,667 to \$465,678.
- The Capital Projects Fund balance decreased from \$493,525 to \$442,726.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from \$45,068 at June 30, 2012 to \$54,534 at June 30, 2013. Daily lunch prices were increased by 10 cents to comply with federal regulations.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on the following pages.

Legal Budgetary Highlights

The District's total actual revenues were within \$108,000 of the total budgeted revenues, a variance of 1%.

Total expenditures were \$2.5 million less than budgeted due primarily to the District's practice to budget expenditures at the maximum authorized spending authority for each fund to avoid the time and expense of amending the budget. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year as it did in 2012-2013.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013, the District had invested \$8.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2% from last year. Depreciation expense for the year exceeded \$434,000.

The original cost of the District's capital assets was over \$13.6 million. Governmental funds account for over 99% of these assets with less than 1% in the Proprietary, School Nutrition Fund.

Capital assets added to the district's inventory during the year included science equipment, elementary iPads, HS copier, outside bleachers, lawn tractor, air conditioning, building security (doors, locks), Court Street lot, and a new dishwasher for the elementary kitchen.

Figure A-6								
Capital Assets, Net of Depreciation								
	Governmental		Business Type		Total		Total	
	Activities		Activities		School District		Change	
	2012	2013	2012	2013	2012	2013	2012-2013	
Land	\$ 29,200	\$ 79,537	\$ -	\$ -	\$ 29,200	\$ 79,537	172.39%	
Buildings	6,921,639	6,921,603	-	-	6,921,639	6,921,603	0.00%	
Improvements other than buildings	429,886	414,875	-	-	429,886	414,875	(3.49)%	
Equipment & furniture	861,959	789,144	23,120	28,696	885,079	817,840	(7.60)%	
Total	\$8,242,684	\$8,205,159	\$ 23,120	\$ 28,696	\$8,265,804	\$ 8,233,855	(0.39)%	

Long-Term Debt

At June 30, 2013, the District had \$4,515,000 in revenue bonds outstanding. This represents an decrease of approximately 3% from last year. (See Figure A-7) These bonds were issued for the high school multi-purpose room and commons area addition/remodel. The capital lease

Figure A-7			
Outstanding Long-Term Obligations			
Total District			Total Change
June 30,			June 30,
2012			2012-2013
2013			
Revenue bonds	\$4,675,000	\$4,515,000	(3.4)%
Capital lease obligation	42,140	---	(100.0)%
Total	<u>\$4,717,140</u>	<u>\$4,515,000</u>	<u>(4.3)%</u>

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Funding levels for Iowa K-12 school districts depend principally on two factors: first, changes in enrollment and second, changes in per pupil district cost. Per pupil district cost is an amount annually set by state government. This amount has historically been determined by applying a percentage increase to the prior year's amount. The percentage increase was 4% for FY15, 2% with a 2% "supplemental" funding for FY14, 2.0% for FY13, 0% for FY12, 2% for FY11 and 4% for the five preceding years. This percentage amount has a substantial impact on district-funding levels. At this time the legislature has yet to set the funding percentage change for FY16 as required by law.
- The certified enrollment count taken in September of 2013 was 579.7 which was an increase of 11 students from the prior year's count. This was the first increase in student count in 9 years. Since the 1998-1999 fiscal year (the highest enrollment year in recent history), Bellevue has lost a total of 141 students on its certified count. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The Board's goal is to maintain a 10-15% solvency ratio in the General Fund. The solvency ratio measures the amount of readily available unspent resources relative to the district's total general fund revenue. The District has exceeded that goal in the last several years. FY13 ending solvency ratio was 20%.
- Bellevue, along with Maquoketa, entered into a whole-grade sharing agreement with Andrew CSD for the 2011-2012 school year for grades 9-12. This sharing agreement will continue at least through the 2013-2014 school year. In FY13 Bellevue gained a total of 21 students from Andrew, and that number increased to 27 students for FY14. Bellevue receives 92% of the State District Cost per pupil for each of those students for FY14.

- An early retirement incentive has been offered for the FY14 school year. It is expected that 5 employees will accept this offer. The Management Fund balance will have to absorb \$214,000 in expenses for the benefit, but it is anticipated that in hiring replacements, the General Fund will realize a savings in salaries for a few years.
- The District will need to negotiate with the teachers union during 2013-2014 for the FY15 school year. The District negotiated a 3.9% total package increase for FY14 and received a negative 0.74% in new monies. Salary and benefits represent approximately 80% of general fund expenditures. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance. The district’s unspent balance decreased \$249,000. The unspent balance is defined as unspent spending authority; therefore it does not necessarily represent an actual cash balance. It is crucial to note that unspent balance dollars can only be spent once. Dedicating these resources to ongoing costs, such as salaries, would require some other source of revenue or an expenditure adjustment for any subsequent year.
- The district pays all but \$720 per year of full-family insurance for all full-time certified employees and 100% of any single policy. The health insurance increases in the last two years have been reasonable at -2% and 0%. It is anticipated that the increase for FY15 will be around 2%. The “Affordable Care Act” has added several fees to the cost of insurance per member. Health insurance increases in the past have been as high as 20%. Unanticipated high insurance increases after settlement of the union contract could negatively affect the financial health of the District.
- The state requires public schools to bus nonpublic students in their district, but has failed to allocate enough money since 2001-2002 to cover the entire cost of nonpublic transportation. Unless legislation increases the nonpublic allotment in the future, the shortages will continue. Over the last 12 years, the District has been shorted over \$143,000 in nonpublic transportation reimbursements. The district has no other options to recoup those dollars.
- The District has participated in the instructional support levy since 1997-98. For this levy, schools are allowed to levy for up to an additional 10% of their combined regular program district costs, with the state funding 25% and property tax funding 75% of this levy. When the district began this levy, the state was only funding 55% of their portion. In FY14, the state funded 0% of their portion. Over the last 15 years, this has resulted in state dollars lost of over \$955,000. Unless the state allocates more dollars to this levy, their portion will continue to decline and the district losses will increase.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Penny Medinger, District Secretary/Treasurer and Business Manager, Bellevue Community School District, 1601 State Street, Bellevue, Iowa, 52031-9766.

**BASIC
FINANCIAL
STATEMENTS**

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities -----	Business Type Activities -----	Total -----
Assets			
Cash and cash equivalents	\$ 3,344,751	\$ 31,819	\$ 3,376,570
Receivables:			
Property tax:			
Delinquent	36,490	---	36,490
Succeeding year	2,742,726	---	2,742,726
Income surtax	125,905	---	125,905
Accounts	3,570	9	3,579
Due from other governments	383,518	---	383,518
Prepaid expenses	10,457	---	10,457
Deferred debt expense	51,192	---	51,192
Inventories	10,833	6,643	17,476
Capital assets, net of accumulated depreciation	8,205,159	28,696	8,233,855
	-----	-----	-----
Total Assets	\$ 14,914,601	\$ 67,167	\$ 14,981,768
	-----	-----	-----
Liabilities			
Cash overdraft	\$ 122,545	\$ ---	\$ 122,545
Accounts payable	62,277	---	62,277
Salaries and benefits payable	523,146	5,294	528,440
Accrued interest payable	87,980	---	87,980
Due to other governments	99,432	---	99,432
Deferred revenue:			
Succeeding year property tax	2,742,726	---	2,742,726
Other	950	4,939	5,889
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	200,000	---	200,000
Portion due after one year:			
Revenue bonds payable	4,315,000	---	4,315,000
Net OPEB liability	139,500	2,400	141,900
	-----	-----	-----
Total Liabilities	\$ 8,293,556	\$ 12,633	\$ 8,306,189
	-----	-----	-----

See notes to financial statements.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

STATEMENT OF NET POSITION
 JUNE 30, 2013

	Governmental Activities -----	Business Type Activities -----	Total -----
Net Position			
Net investment in capital assets	\$ 3,690,159	\$ 28,696	\$ 3,718,855
Restricted for:			
Categorical funding	250,735	---	250,735
Debt Service	383,330	---	383,330
Management levy	141,288	---	141,288
School infrastructure	59,396	---	59,396
Physical plant and equipment levy	591,583	---	591,583
Student activities	88,265	---	88,265
Unrestricted	1,416,289	25,838	1,442,127
	-----	-----	-----
Total Net Position	\$ 6,621,045	\$ 54,534	\$ 6,675,579
	=====	=====	=====

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental Activities:						
Instruction:						
Regular instruction	\$ 481,926	\$ 392,505	\$ ---	\$ (1,840,559)	\$ ---	\$ (1,840,559)
Special instruction	163,150	192,542	---	(547,251)	---	(547,251)
Other instruction	169,243	6,230	---	(773,193)	---	(773,193)
Total Instruction	\$ 814,319	\$ 591,277	\$ ---	\$ (3,161,003)	\$ ---	\$ (3,161,003)
Support Services:						
Student	\$ 971	\$ 1,734	\$ ---	\$ (166,259)	\$ ---	\$ (166,259)
Instructional staff	---	38,949	---	(223,723)	---	(223,723)
Administration	1,500	---	---	(660,985)	---	(660,985)
Operation and maintenance of plant	250	721	---	(712,498)	---	(712,498)
Transportation	21,651	42,165	---	(365,168)	---	(365,168)
Total Support Services	\$ 24,372	\$ 83,569	\$ ---	\$ (2,128,633)	\$ ---	\$ (2,128,633)
Non-instructional Programs	---	---	---	(9,703)	---	(9,703)

See notes to financial statements.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Governmental Activities: (Continued)							
Other Expenditures:							
Facilities acquisition	\$ 7,514	\$ ---	\$ ---	\$ 128,917	\$ 121,403	\$ ---	\$ 121,403
Long-term debt interest	182,055	---	---	---	(182,055)	---	(182,055)
AEA flowthrough	231,447	---	231,447	---	---	---	---
Depreciation (unallocated)*	70,311	---	---	---	(70,311)	---	(70,311)
Total Other Expenditures	\$ 491,327	\$ ---	\$ 231,447	\$ 128,917	\$ (130,963)	\$ ---	\$ (130,963)
Total Governmental Activities	\$ 7,304,203	\$ 838,691	\$ 906,293	\$ 128,917	\$ (5,430,302)	\$ ---	\$ (5,430,302)
Business Type Activities:							
Non-instructional programs:							
Food service operations	\$ 282,868	\$ 172,827	\$ 119,370	\$ ---	\$ ---	\$ 9,329	\$ 9,329
Total	\$ 7,587,071	\$ 1,011,518	\$ 1,025,663	\$ 128,917	\$ (5,430,302)	\$ 9,329	\$ (5,420,973)

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
General Revenues							
Property Tax Levied For:							
General purposes				\$ 2,356,730	\$	---	\$ 2,356,730
Capital outlay				210,750		---	210,750
PPEL support surtax				130,392		---	130,392
Statewide sales, services and use tax				366,793		---	366,793
Unrestricted state grants				2,368,299		---	2,368,299
Unrestricted investment earnings				18,695		137	18,832
Other				42,289		---	42,289
Loss on disposal of capital assets				(2,425)		---	(2,425)
Total General Revenues				\$ 5,491,523	\$	137	\$ 5,491,660
Change in Net Position				\$ 61,221	\$	9,466	\$ 70,687
Net Position Beginning of Year				6,559,824		45,068	6,604,892
Net Position End of Year				\$ 6,621,045	\$	54,534	\$ 6,675,579

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	Capital Projects	Nonmajor	Total
	-----	-----	-----	-----
Assets				
Cash, cash equivalents, and pooled investments	\$1,951,366	\$ 877,445	\$ 515,940	\$3,344,751
Receivables:				
Property tax:				
Delinquent	31,493	2,885	2,112	36,490
Succeeding year	2,171,322	256,404	315,000	2,742,726
Income surtax	---	125,905	---	125,905
Accounts	2,389	950	231	3,570
Due from other governments	202,611	180,907	---	383,518
Prepaid expenses	10,457	---	---	10,457
Inventories	10,833	---	---	10,833
	-----	-----	-----	-----
Total Assets	\$4,380,471	\$1,444,496	\$ 833,283	\$6,658,250
	=====	=====	=====	=====
Liabilities and Fund Balances				
Liabilities:				
Cash overdraft	\$ ---	\$ 122,545	\$ ---	\$ 122,545
Accounts payable	30,289	31,238	---	61,527
Accrued interest and principle payable	---	---	288,730	288,730
Salaries & benefits payable	523,146	---	---	523,146
Due to other governments	99,432	---	---	99,432
Deferred revenue:				
Succeeding year property tax	2,171,322	256,404	315,000	2,742,726
Income surtax	---	125,905	---	125,905
Other	950	---	---	950
	-----	-----	-----	-----
Total Liabilities	\$2,825,139	\$ 536,092	\$ 603,730	\$3,964,961
	-----	-----	-----	-----
Fund Balances:				
Nonspendable:				
Inventories	\$ 10,833	\$ ---	\$ ---	\$ 10,833
Prepaid expenses	10,457	---	---	10,457
Restricted for:				
Categorical funding	250,735	---	---	250,735
Debt service	---	383,330	---	383,330
Student activities	---	---	88,265	88,265
Management levy purposes	---	---	141,288	141,288
School infrastructure	---	59,396	---	59,396
Physical plant and equipment	---	465,678	---	465,678
Unassigned	1,283,307	---	---	1,283,307
	-----	-----	-----	-----
Total Fund Balances	\$1,555,332	\$ 908,404	\$ 229,553	\$2,693,289
	-----	-----	-----	-----
Total Liabilities and Fund Balances	\$4,380,471	\$1,444,496	\$ 833,283	\$6,658,250
	=====	=====	=====	=====

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total fund balances of governmental funds	\$	2,693,289
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets of 13,611,667, net of accumulated depreciation of \$(5,406,508), are not financial resources and, therefore, are not reported in the funds.		8,205,159
Income surtaxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		125,905
Long-term liabilities of \$(4,454,500) are not due and payable in the current period and are not reported in the funds. Other related amounts include deferred debt expense of \$51,192.		(4,403,308)

Net position of governmental activities	\$	6,621,045
		=====

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013**

	General	Capital Projects	Nonmajor	Total
	-----	-----	-----	-----
Revenues				
Local sources:				
Local tax	\$2,208,589	\$ 735,794	\$ 148,141	\$3,092,524
Tuition	598,286	---	---	598,286
Other	131,783	4,233	153,924	289,940
Intermediate sources	3,096	---	---	3,096
State sources	3,044,390	128,741	124	3,173,255
Federal sources	238,478	74	55	238,607
	-----	-----	-----	-----
Total Revenues	\$6,224,622	\$ 868,842	\$ 302,244	\$7,395,708
	-----	-----	-----	-----
Expenditures				
Current:				
Instruction:				
Regular	\$2,638,299	\$ 21,988	\$ 32,958	\$2,693,245
Special	871,677	---	---	871,677
Other	800,337	---	150,359	950,696
	-----	-----	-----	-----
Total Instruction	\$4,310,313	\$ 21,988	\$ 183,317	\$4,515,618
	-----	-----	-----	-----
Support Services:				
Student	\$ 168,247	\$ ---	\$ 607	\$ 168,854
Instructional staff	253,975	---	507	254,482
Administration	655,246	816	6,658	662,720
Operation and maintenance of plant	519,466	27,621	46,478	593,565
Transportation	355,820	---	23,620	379,440
	-----	-----	-----	-----
Total Support Services	\$1,952,754	\$ 28,437	\$ 77,870	\$2,059,061
	-----	-----	-----	-----
Non-instructional Programs	\$ ---	\$ ---	\$ 6,975	\$ 6,975
	-----	-----	-----	-----
Other Expenditures:				
Facilities acquisition	\$ ---	\$ 249,447	\$ ---	\$ 249,447
Long-term debt:				
Principal	---	---	202,140	202,140
Interest and fiscal charges	---	---	219,618	219,618
AEA flowthrough	231,447	---	---	231,447
	-----	-----	-----	-----
Total Other Expenditures	\$ 231,447	\$ 249,447	\$ 421,758	\$ 902,652
	-----	-----	-----	-----

See notes to financial statements.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
	-----	-----	-----	-----
Expenditures (Continued)				
Total Expenditures	\$ 6,494,514	\$ 299,872	\$ 689,920	\$ 7,484,306
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (269,892)	\$ 568,970	\$ (387,676)	\$ (88,598)
	-----	-----	-----	-----
Other Financing Sources (Uses)				
Operating transfers in	\$ ---	\$ ---	\$ 421,758	\$ 421,758
Operating transfers out	---	(421,758)	---	(421,758)
Sale of equipment and materials	17,000	---	---	17,000
	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 17,000	\$ (421,758)	\$ 421,758	\$ 17,000
	-----	-----	-----	-----
Change in Fund Balances	\$ (252,892)	\$ 147,212	\$ 34,082	\$ (71,598)
	-----	-----	-----	-----
Fund Balances Beginning of Year	1,808,224	761,192	195,471	2,764,887
	-----	-----	-----	-----
Fund Balances End of Year	\$ 1,555,332	\$ 908,404	\$ 229,553	\$ 2,693,289
	=====	=====	=====	=====

See notes to financial statements.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds \$ (71,598)

*Amounts reported for governmental activities in the statement
 of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$454,209 exceeded capital outlays of \$436,109 in the current period. (18,100)

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold. (19,425)

Because income surtaxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. (27,859)

Future long-term debt principal payments accrued and reported as expenditures in the governmental fund financial statements are not shown as reductions in long-term debt in the government-wide financial statements until payment is made to the bondholders. 200,000

The governmental fund financial statements reflect bond issuance costs as an expenditure. The government-wide financial statements present the unamortized amount of bond issuance cost as an asset, net of amortization. This amount represents the current year amortization of the long-term debt related costs. (3,011)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net decrease in the capital lease obligation of \$42,140, the net increase in other post employment benefits of \$(41,500), and the net decrease in accrued interest of \$574. 1,214

Change in net position of governmental activities \$ 61,221

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013**

	School Nutrition -----
Assets	
Current assets:	
Cash and cash equivalents	\$ 31,819
Accounts receivable	9
Inventories	6,643

Total current assets	38,471

Noncurrent assets:	
Capital assets, net of accumulated depreciation	28,696

Total noncurrent assets	28,696

Total Assets	\$ 67,167

Liabilities	
Current liabilities:	
Salaries and benefits payable	\$ 5,294
Unearned revenue	4,939

Total current liabilities	10,233

Noncurrent liabilities:	
Net OPEB liability	2,400

Total noncurrent liabilities	2,400

Total Liabilities	\$ 12,633

Net Position	
Invested in capital assets	\$ 28,696
Unrestricted	25,838

Total Net Position	\$ 54,534
	=====

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013**

	School Nutrition -----
Operating Revenues	
Local sources:	
Charges for services	\$ 172,827 -----
Operating Expenses	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 112,121
Benefits	23,800
Purchased services	3,757
Supplies	139,974
Depreciation	3,216 -----
Total Operating Expenses	\$ 282,868 -----
Operating Loss	\$ (110,041) -----
Non-operating Revenues (Expenses)	
State sources	\$ 2,683
Federal sources	116,687
Interest income	137 -----
Total Non-operating Revenues	\$ 119,507 -----
Increase in net position	\$ 9,466
Net Position Beginning of Year	45,068 -----
Net Position End of Year	\$ 54,534 =====

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013**

	School Nutrition -----
Cash Flows From Operating Activities	
Cash received from sale of lunches and breakfasts	\$ 172,821
Cash paid to employees for services	(135,738)
Cash paid to suppliers for goods and services	(124,834)

Net Cash Used by Operating Activities	\$ (87,751)

Cash Flows From Non-Capital Financing Activities	
State grants received	\$ 2,683
Federal grants received	98,766

Net Cash Provided by Non-Capital Financing Activities	\$ 101,449

Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	\$ (8,792)

Cash Flows From Investing Activities	
Interest on investments	\$ 137

Net Increase in Cash and Cash Equivalents	\$ 5,043
Cash and Cash Equivalents Beginning of Year	26,776

Cash and Cash Equivalents End of Year	\$ 31,819
	=====
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (110,041)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	17,921
Depreciation	3,216
Decrease in inventories	376
Increase in accounts receivable	(6)
Increase in salaries and benefits payable	183
Increase in net OPEB liability	600

Net Cash Used by Operating Activities	\$ (87,751)
	=====

Non-Cash Investing, Capital and Financing Activities

During the year ended June 30, 2013, the District received \$17,921 of federal commodities.

See notes to financial statements.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Private Purpose Trust	
	----- Scholarship -----	----- Agency -----
Assets:		
Cash and cash equivalents	\$ 5,708	\$ 6,072
Accounts receivable	---	6,938
	-----	-----
Total Assets	\$ 5,708	\$ 13,010
	-----	-----
Liabilities		
Due to other governments	\$ ---	\$ 13,010
	-----	-----
Net Position:		
Reserved for scholarships	\$ 5,708	\$ ---
	=====	=====

See notes to financial statements.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	----- Scholarship -----
Additions:	
Local sources:	
Gifts and contributions	\$ 3,700
 Deductions:	
Support services:	
Scholarships awarded	----- ---
 Change in Net Position	 \$ 3,700
 Net Position Beginning of Year	 2,008
 Net Position End of Year	 \$ 5,708 =====

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 - Summary of Significant Accounting Policies:

The Bellevue Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bellevue, Iowa, and the predominate agricultural territory in Jackson County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Bellevue Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Bellevue Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jackson County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statements of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2011, assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	All
Buildings	\$ 5,000
Improvements other than buildings	5,000
Furniture and Equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-7 years

Due to Other Governments - Due to other governments represents amounts due to other governmental units for various purposes such as supplies, utilities, and special education tuition.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, income surtax and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently no liability at June 30, 2013 has been accrued.

Long-term Obligations, Deferred Debt Expense, and Bond Discounts/Premiums - In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classifications.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 - Summary of Significant Accounting Policies: (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

F. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents:

The District's deposits in banks at June 30, 2013, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 3 - Interfund Transfers:

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt service	Capital projects	\$ 421,758

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4 - Categorical Funding:

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Programs	Amount
Salary improvement plan	\$ 31,046
Voluntary preschool program	95,300
Professional development for model core curriculum	33,184
Educator quality, market factor incentives	2,268
Professional development	29,680
Gifted and talented	45,263
Drop out prevention program	7,712
Nonpublic textbooks	3,476
Early intervention	2,806
	\$ 250,735

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 5 - Capital Assets:

Capital assets activity for the year ended June 30, 2013, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	-----	-----	-----	-----
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 29,200	\$ 50,337	\$ ---	\$ 79,537
	-----	-----	-----	-----
Capital assets being depreciated:				
Buildings	\$ 9,096,177	\$ 181,043	\$ ---	\$ 9,277,220
Improvements other than buildings	804,931	13,785	---	818,716
Furniture and equipment	3,279,149	190,944	33,899	3,436,194
	-----	-----	-----	-----
Total capital assets being depreciated	\$13,180,257	\$ 385,772	\$ 33,899	\$13,532,130
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings	\$ 2,174,538	\$ 181,079	\$ ---	\$ 2,355,617
Improvements other than buildings	375,045	28,796	---	403,841
Furniture and equipment	2,417,190	244,334	14,474	2,647,050
	-----	-----	-----	-----
Total accumulated depreciation	\$ 4,966,773	\$ 454,209	\$ 14,474	\$ 5,406,508
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 8,213,484	\$ (68,437)	\$ 19,425	\$ 8,125,622
	-----	-----	-----	-----
Governmental Activities Capital Assets, Net	\$ 8,242,684	\$ (18,100)	\$ 19,425	\$ 8,205,159
	=====	=====	=====	=====
Business Type Activities:				
Furniture and equipment	\$ 34,191	\$ 8,792	\$ ---	\$ 42,983
Less accumulated depreciation	11,071	3,216	---	14,287
	-----	-----	-----	-----
Business Type Activities Capital Assets, Net	\$ 23,120	\$ 5,576	\$ ---	\$ 28,696
	=====	=====	=====	=====

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 5 - Capital Assets: (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction	\$ 92,814
Special instruction	49,787
Other instruction	11,522

Support services:

Instructional staff support	7,673
Administration	6,297
Operation and maintenance of plant	164,050
Transportation	49,027
Non-instructional	2,728
Unallocated	70,311

Total Depreciation Expense - Governmental Activities	\$ 454,209
--	------------

Business type activities:

Food service operations	\$ 3,216
-------------------------	----------

Note 6 - Long-Term Liabilities:

Changes in long-term liabilities for the year ended June 30, 2013, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	-----	-----	-----	-----	-----
Governmental Activities:					
Revenue bonds	\$ 4,675,000	\$ ---	\$ 160,000	\$ 4,515,000	\$ 200,000
Capital Lease Obligation	42,140	---	42,140	---	---
Net OPEB liability	98,000	41,500	---	139,500	---
Total	\$ 4,815,140	\$ 41,500	\$ 202,140	\$ 4,654,500	\$ 200,000
Business Type Activities:					
Net OPEB liability	\$ 1,800	\$ 600	\$ ---	\$ 2,400	\$ ---

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 6 - Long-Term Liabilities: (Continued)

Revenue Bonds Payable

Details of the District's June 30, 2013, local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
-----	-----	-----	-----	-----
2014	2.25%	200,000	173,710	373,710
2015	2.50%	200,000	168,960	368,960
2016	2.75%	200,000	163,710	363,710
2017	3.00%	210,000	157,810	367,810
2018	3.25%	220,000	151,085	371,085
2018 - 2023	3.50 - 4.10%	1,235,000	625,759	1,860,759
2024 - 2028	4.20 - 4.50%	1,535,000	340,866	1,875,866
2028 - 2030	4.60 - 4.70%	715,000	42,360	757,360
Total		\$ 4,515,000	\$ 1,824,260	\$ 6,339,260
		=====	=====	=====

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) Interest on the bonds is payable on July 1 and January 1 in each year beginning July 1, 2010, to the registered owners thereof. The Bonds will mature serially on July 1. Bonds maturing after July 1, 2021, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot, at par plus accrued interest to date of call.
- (b) The Bond Resolution establishes a Project Fund (the "Project Fund") into which the net Bond proceeds shall be deposited. Moneys in the Project Fund shall be used for the purpose of aiding in the financing of the Project, and shall also be available for the payment of the principal of or interest on the Bonds at any time that other funds of the Project shall be insufficient for that purpose. Any Project Fund moneys used to pay debt service on the Bonds shall be repaid to the Project Fund at the earliest opportunity.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 6 - Long-Term Liabilities: (Continued)

- (c) The Bond Resolution also establishes the Local Option Sales and Services Tax Revenue Fund (the "Revenue Fund"), into which shall be deposited all local option sales taxes when received from the State. Moneys in the Revenue Fund shall be disbursed to the following funds and accounts in the following order of priority.
- (d) Interest and principal on the Bonds (and any Parity Obligations, as defined below) will be paid from the Sinking Fund (the "Sinking Fund"). The amount to be deposited in the Sinking Fund shall be equal to the amount of principal and interest coming due on the Bonds, and any other obligations payable from the Sales Services and Use Tax revenues on a parity with the Bonds ("Parity Obligations") during the fiscal year and shall be used solely for the purpose of paying debt service on the Bonds and any Parity Obligations.
- (e) The Bonds are secured by the Reserve Fund established under the Bond Resolution which Reserve Fund will be funded from proceeds of the Bonds. So long as any Bonds are outstanding, the Issuer is required to maintain an amount on deposit in the Reserve Fund equal to the lesser of (a) the sum of 10% of the proceeds of the Bonds; (b) 125% of the average annual debt service on such Bonds or (c) the maximum annual debt service on such Bonds (the "Reserve Fund Requirement").

The District did comply with all of the provisions during the year ended June 30, 2013. The amounts required for the Sinking Fund and Reserve Fund are accounted for in the Capital Projects Fund.

Note 7 - Pension and Retirement Benefits:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011, were \$323,923, \$293,791, and \$281,007, respectively, equal to the required contributions for each year.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 8 - Other Postemployment Benefits (OPEB):

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits to retirees and their spouses. There are 60 active and 11 retired members of the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 60,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	(7,900)

Annual OPEB cost	\$ 54,100
Contributions made	(12,000)

Increase in net OPEB obligation	\$ 42,100
Net OPEB obligation beginning of year	99,800

Net OPEB obligation end of year	\$ 141,900
	=====

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 8 - Other Postemployment Benefits (OPEB): (Continued)

For the year ended June 30, 2013, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$51,661, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June, 30 -----	Annual OPEB Cost -----	Percentage of Annual OPEB Cost Contributed -----	Net OPEB Obligation -----
2011	\$ 33,100	---%	\$ 67,000
2012	32,800	---%	99,800
2013	54,100	---%	141,900

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$439,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$439,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,759,400 and the ratio of the UAAL to covered payroll was 11.7%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 8 - Other Postemployment Benefits (OPEB): (Continued)

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The UAAL is being amortized as a level dollar on a closed basis over 30 years.

Note 9 - Risk Management:

Bellevue Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 - Area Education Agency:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$231,447 for the year ended June 30, 2013, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11 - 28E Agreements:

On January 10, 2012, the District entered into a 28E Agreement with the Andrew Community School District. The purpose of the agreement is to establish and implement the Facility Improvement Program for Andrew students attending Bellevue secondary schools under the parties' Sharing Agreement.

Note 12 - Construction Commitments:

The District has entered into a contract totaling \$94,753 for improvements to Bellevue Elementary School. As of June 30, 2013, no costs had been incurred against the contract.

Note 13 - Subsequent Events:

Subsequent events have been evaluated by management through February 12, 2014, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ ---	\$ 342,000	\$ 342,000	0.0%	3,564,000	9.6%
2011	July 1, 2009	---	342,000	342,000	0.0%	3,703,880	9.2%
2012	July 1, 2009	---	342,000	342,000	0.0%	3,686,467	9.3%
2013	July 1, 2012	---	439,000	439,000	0.0%	3,759,400	11.7%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and net OPEB Obligation, funded status and funding progress.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 3,980,750	\$ 172,964	\$ 4,153,714	\$ 4,321,969	\$ 4,321,969	\$ (168,255)
Intermediate sources	3,096	---	3,096	26,141	26,141	(23,045)
State sources	3,173,255	2,683	3,175,938	3,112,663	3,112,663	63,275
Federal sources	238,607	116,687	355,294	335,512	335,512	19,782
Total Revenues	\$ 7,395,708	\$ 292,334	\$ 7,688,042	\$ 7,796,285	\$ 7,796,285	\$ (108,243)
Expenditures						
Instruction	\$ 4,515,618	\$ ---	\$ 4,515,618	\$ 5,719,298	\$ 5,719,298	\$ 1,203,680
Support services	2,059,061	---	2,059,061	2,937,637	2,937,637	878,576
Non-instructional programs	6,975	282,868	289,843	373,625	373,625	83,782
Other expenditures	902,652	---	902,652	1,228,822	1,228,822	326,170
Total Expenditures	\$ 7,484,306	\$ 282,868	\$ 7,767,174	\$ 10,259,382	\$ 10,259,382	\$ 2,492,208
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (88,598)	\$ 9,466	\$ (79,132)	\$ (2,463,097)	\$ (2,463,097)	\$ 2,383,965
Other Financing Sources, Net	17,000	---	17,000	---	---	17,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (71,598)	\$ 9,466	\$ (62,132)	\$ (2,463,097)	\$ (2,463,097)	\$ 2,400,965
Balances Beginning of Year	2,764,887	45,068	2,809,955	2,463,097	2,463,097	346,858
Balances End of Year	\$ 2,693,289	\$ 54,534	\$ 2,747,823	\$ ---	\$ ---	\$ 2,747,823

See accompanying independent auditor's report.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
- BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund that may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**SUPPLEMENTARY
INFORMATION**

SCHEDULE "1"

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds			Total
	Student Activity	Management	Debt Service	
Assets				
Cash and cash equivalents	\$ 88,265	\$ 138,945	\$ 288,730	\$ 515,940
Receivables:				
Property tax:				
Delinquent	---	2,112	---	2,112
Succeeding year	---	315,000	---	315,000
Accounts	---	231	---	231
Total Assets	\$ 88,265	\$ 456,288	\$ 288,730	\$ 833,283
Liabilities and Fund Balances				
Liabilities:				
Accrued interest and principle payable	\$ ---	\$ ---	\$ 288,730	\$ 288,730
Deferred revenue:				
Succeeding year property tax	---	315,000	---	315,000
Total Liabilities	\$ ---	\$ 315,000	\$ 288,730	\$ 603,730
Fund Balances:				
Restricted for:				
Student activities	\$ 88,265	\$ ---	\$ ---	\$ 88,265
Management levy purposes	---	141,288	---	141,288
Total Fund Balances	\$ 88,265	\$ 141,288	\$ ---	\$ 229,553
Total Liabilities and Fund Balances	\$ 88,265	\$ 456,288	\$ 288,730	\$ 833,283

See accompanying independent auditor's report.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			
	Student Activity	Management	Debt Service	Total
Revenues				
Local Sources:				
Local tax	\$ ---	\$ 148,141	\$ ---	\$ 148,141
Other	150,446	3,478	---	153,924
State sources	---	124	---	124
Federal sources	---	55	---	55
Total Revenues	\$ 150,446	\$ 151,798	\$ ---	\$ 302,244
Expenditures				
Current:				
Instruction:				
Regular	\$ ---	\$ 32,958	\$ ---	\$ 32,958
Other	150,359	---	---	150,359
Total Instruction	\$ 150,359	\$ 32,958	\$ ---	\$ 183,317
Support Services:				
Student	\$ ---	\$ 607	\$ ---	\$ 607
Instructional staff	---	507	---	507
Administration	---	6,658	---	6,658
Operation and maintenance of plant	---	46,478	---	46,478
Transportation	---	23,620	---	23,620
Total Support Services	\$ ---	\$ 77,870	\$ ---	\$ 77,870
Non-instructional Programs	\$ ---	\$ 6,975	\$ ---	\$ 6,975
Other Expenditures:				
Long-term debt:				
Principal	\$ ---	\$ ---	\$ 202,140	\$ 202,140
Interest and fiscal charges	---	---	219,618	219,618
Total Other Expenditures	\$ ---	\$ ---	\$ 421,758	\$ 421,758
Total Expenditures	\$ 150,359	\$ 117,803	\$ 421,758	\$ 689,920
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 87	\$ 33,995	\$ (421,758)	\$ (387,676)

See accompanying independent auditor's report.

SCHEDULE "2" (Continued)

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			Total
	Student Activity	Management	Debt Service	
Other Financing Sources (Uses)				
Operating transfers in	\$ ---	\$ ---	\$ 421,758	\$ 421,758
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 87	\$ 33,995	\$ ---	\$ 34,082
Fund Balances Beginning of Year	88,178	107,293	---	195,471
Fund Balances End of Year	\$ 88,265	\$ 141,288	\$ ---	\$ 229,553

See accompanying independent auditor's report.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	-----	-----	-----
Assets			
Cash and cash equivalents	\$ 383,414	\$ 494,031	\$ 877,445
Receivables:			
Property tax:			
Delinquent	---	2,885	2,885
Succeeding year	---	256,404	256,404
Income surtax	---	125,905	125,905
Accounts	950	---	950
Due from other governments	180,907	---	180,907
	-----	-----	-----
Total Assets	\$ 565,271	\$ 879,225	\$1,444,496
	=====	=====	=====
Liabilities and Fund Balances			
Liabilities:			
Bank overdraft	\$ 122,545	\$ ---	\$ 122,545
Accounts payable	---	31,238	31,238
Deferred revenue:			
Succeeding year property tax	---	256,404	256,404
Income surtax	---	125,905	125,905
	-----	-----	-----
Total Liabilities	\$ 122,545	\$ 413,547	\$ 536,092
	-----	-----	-----
Fund Balances:			
Restricted for:			
Debt service	\$ 383,330	\$ ---	\$ 383,330
School infrastructure	59,396	---	59,396
Physical plant and equipment	---	465,678	465,678
	-----	-----	-----
Total Fund Balances	\$ 442,726	\$ 465,678	\$ 908,404
	-----	-----	-----
Total Liabilities and Fund Balances	\$ 565,271	\$ 879,225	\$1,444,496
	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "4"

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	-----	-----	-----
Revenues			
Local Sources:			
Local tax	\$ 366,793	\$ 369,001	\$ 735,794
Other	1,924	2,309	4,233
State sources	128,567	174	128,741
Federal sources	---	74	74
	-----	-----	-----
Total Revenues	\$ 497,284	\$ 371,558	\$ 868,842
	-----	-----	-----
Expenditures			
Current:			
Instruction:			
Regular instruction	\$ 21,988	\$ ---	\$ 21,988
Support Services:			
Administration	---	816	816
Operation and maintenance of plant	---	27,621	27,621
Other Expenditures:			
Facilities acquisition	50,337	199,110	249,447
	-----	-----	-----
Total Expenditures	\$ 72,325	\$ 227,547	\$ 299,872
	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 424,959	\$ 144,011	\$ 568,970
	-----	-----	-----
Other Financing Sources (Uses)			
Operating transfers out	(421,758)	---	(421,758)
	-----	-----	-----
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 3,201	\$ 144,011	\$ 147,212
	-----	-----	-----
Fund Balances Beginning of Year	439,525	321,667	761,192
	-----	-----	-----
Fund Balances End of Year	\$ 442,726	\$ 465,678	\$ 908,404
	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "5"

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
 STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
	-----	-----	-----	-----	-----
JH/SR Athletics	\$ 32,812	\$ 51,505	\$ 52,980	\$ 107	\$ 31,444
Pep Club	1,151	---	138	3	1,016
Comet Club	435	---	---	1	436
Cheerleading	956	4,505	4,422	4	1,043
Spanish Club	2,662	---	---	7	2,669
Musical/Play	9,256	1,567	2,486	23	8,360
Letterman's Club	318	5,228	4,367	4	1,183
Boys' Basketball	456	4,345	5,338	1	(536)
FFA	(547)	2,113	2,143	---	(577)
Volleyball	1,340	3,993	4,159	3	1,177
Dance Team	8,453	4,684	2,547	23	10,613
FBLA	1,139	11,668	14,382	3	(1,572)
Bowling	687	---	---	2	689
Girls' Basketball	1,773	1,247	944	5	2,081
Wrestling	---	3,841	3,436	1	406
Boys' Track	---	312	369	---	(57)
Elementary	7,417	---	194	20	7,243
Preschool	960	---	125	2	837
Band	1,264	---	---	3	1,267
Vocal	373	---	---	1	374
Color Guard	514	819	781	2	554
Band resale	(2,949)	695	863	---	(3,117)
Music Boosters	4,959	14,891	12,941	19	6,928
Class of 2013	1,687	---	1,687	---	---
Class of 2014	782	10,731	10,600	7	920
Class of 2015	404	1,482	915	2	973
Class of 2016	---	1,093	---	1	1,094
HS Yearbook	7,447	6,359	5,559	15	8,262
JH Yearbook	1,350	---	486	3	867
HS Student Council	1,966	15,914	15,332	8	2,556
JH Student Council	1,113	3,181	3,165	3	1,132
Interest	---	273	---	(273)	---
	-----	-----	-----	-----	-----
Total	\$ 88,178	\$ 150,446	\$ 150,359	\$ ---	\$ 88,265
	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	-----	-----	-----	-----
Assets				
Cash and deposits	\$ 3,078	\$ 2,994	\$ ---	\$ 6,072
Accounts receivable	12,534	---	5,596	6,938
	-----	-----	-----	-----
Total Assets	\$ 15,612	\$ 2,994	\$ 5,596	\$ 13,010
	=====	=====	=====	=====
Liabilities				
Payable to others	\$ 15,612	\$ ---	\$ 2,602	\$ 13,010
	=====	=====	=====	=====

See accompanying independent auditor's report.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST TEN YEARS

Modified Accrual Basis

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Local Sources:										
Local tax	\$ 3,092,524	\$ 3,197,437	\$ 3,046,552	\$ 2,844,162	\$ 2,703,540	\$ 2,531,049	\$ 2,389,620	\$ 2,313,586	\$ 2,159,390	\$ 2,269,904
Tuition	598,286	591,609	440,361	330,040	335,167	330,321	283,742	252,472	230,006	199,156
Other	289,940	353,406	320,499	311,037	320,983	310,493	330,782	384,018	316,851	285,445
Intermediate sources	3,096	16,453	25,086	9,778	2,253	7,392	3,584	819	2,869	2,422
State sources	3,173,255	3,261,883	3,227,569	2,911,345	3,344,716	3,246,496	3,040,874	2,953,440	2,845,615	2,657,970
Federal sources	238,607	278,415	407,346	573,714	291,614	186,057	182,353	217,658	272,128	293,914
Total	\$ 7,395,708	\$ 7,699,203	\$ 7,467,413	\$ 6,980,076	\$ 6,998,273	\$ 6,611,808	\$ 6,230,955	\$ 6,121,993	\$ 5,826,859	\$ 5,708,811

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Bellevue Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bellevue Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 2014. In addition, we have disclaimed an opinion on the required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bellevue Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bellevue Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bellevue Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or

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combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bellevue Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bellevue Community School District's Responses to Findings

Bellevue Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Bellevue Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bellevue Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa

February 12, 2014

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Lack of segregation of duties could result in errors or unauthorized transactions. We noted that the board secretary performs substantially all of the significant accounting functions.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. We recommend that the bank statements continue to be delivered directly to the Superintendent for review before being given to the secretary for reconciliation. The District should also continue to review its operating procedures to obtain the maximum internal accounting control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget - Disbursements for the year ended June 30, 2013, did not exceed the amount budgeted.

II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013**

Part II: Other Findings Related to Statutory Reporting: (Continued)

- II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-13 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-13 Student Activity Fund - The Student Activity Fund had five accounts with deficit balances at June 30, 2013.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate any deficits.

Response - We will continue to monitor these accounts.

Conclusion - Response accepted.

- II-L-13 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-M-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information for the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 439,525
Statewide sales and services tax revenue	\$ 366,793	
Other	130,491	497,284
	-----	-----
		\$ 936,809
Expenditures/transfers out:		
School infrastructure:		
Land	\$ 50,337	
Equipment	21,988	
Transfer to debt service fund	421,758	494,083
	-----	-----
Ending balance		\$ 442,726
		=====

For the year ended June 30, 2013, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.